BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

FIRST PHASE REVIEW

IN THE MATTER OF SUBSCRIPTION OF CONVERTIBLE PREFERENCE SHARES OF M/S. KHAADI CORPORATION (SMC-PRIVATE) LIMITED BY M/S. INTERNATIONAL FINANCE CORPORATION

CASE: 1310/Merger-CCP/22

Commission

Ms. Rahat Kaunain Hassan
Chairperson

Ms. Mujtaba Ahmad Lodhi
Member

ORDER

1. On 25th July, 2022 the Competition Commission of Pakistan ("**Commission**") received a pre-merger application ("**Application**") of a proposed acquisition pursuant to Section 11 of the Competition Act, 2010 ("**Act**") read with Regulation 6 of the Competition (Merger Control) Regulations, 2016 ("**Merger Regulations**") from M/s. Khaadi Corporation (SMC-Private) Limited ("**Applicant**" or "**Target**") reflecting intended subscription of convertible preference shares of the Target by M/s. International Finance Corporation ("**Acquirer**") pursuant to a Subscription Agreement dated May 27, 2022. All requisite information/documentation pertaining to the Application was completed on August 01, 2022.

2. The Commission has examined the Application as well as all the documents attached therewith and the information provided by the concerned undertaking(s). The Phase I competition assessment of the intended transaction has revealed the following facts:

   i. The concerned undertakings are:

      a. Acquirer: An international organization, established in 1956 to further economic development in its member countries by encouraging the growth of private enterprise. IFC is a member of the World Bank Group (WBG), which also comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). IFC, together with private investors, assists in financing the establishment, improvement and expansion of private sector enterprises by making loans, equity investments and investments in debt securities where sufficient private capital is not otherwise available on reasonable terms.

      b. Target: An entity incorporated under the laws of Pakistan with a business objective to act as a holding company to its subsidiaries. Collectively, the Target and its subsidiaries, operate in the clothing, fabric, apparel, home accessories, footwear and personal accessories retail segment in Pakistan and also have outlets abroad.

   ii. As per the submitted Application, under the terms of the Subscription Agreement, the Acquirer intends to subscribe convertible preference shares in the Target, representing up to)% of the total issued and paid-up capital of the Target.

   iii. The consideration for the subscription is approximately up to USD (equivalent to PKR 5 /- as at July 28, 2022), categorized as foreign direct investment as the amount will be transferred by the Acquirer from abroad to the Target in Pakistan.

   iv. The relevant product markets in this case have been identified as "**Apparel**", "**Home Accessories**", "**Footwear**" and "**Personal Accessories**", while the geographic market is "**Pakistan**".

   v. In the relevant product markets, only the Target has operations and has a market share of under % in the Apparel division. In the Home Accessories segment it has a market share of below %, while in the footwear segment it is under % and Personal Accessories it has a market share of under 5%.

3. The proposed transaction does not meet the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Act. Hence, it is hereby authorized under Section 31(1)(d)(i) of the Act.

4. In the subject transaction, matters which may fall outside the scope of the Commission's purview shall be handled in accordance with the relevant laws and regulations.

5. It is so ordered.

(Ms. Rahat Kaunain Hassan)
Chairperson

(Mr. Mujtaba Ahmad Lodhi)
Member

SEAL OF THE COMPETITION COMMISSION OF PAKISTAN * ISLAMABAD *

Islamabad the August 3rd **, 2022.**